DEFENSE LOGISTICS AGENCY

DEFENSE LOGISTICS AGENCY

Integrated Logistics Solutions

DSCR Business Conference
June 6-7, 2000

DEFENSE LOGISTICS AGENCY

Agenda

- Introduction
- Rumors/Complaints/Comments
- Overview of Integrated Logistics Solutions
- Virtual Prime Vendor
  - Business Strategy
  - IT Requirements
  - Contracting Strategy
  - Bundling
- Open Forum Panel Discussion

DEFENSE LOGISTICS AGENCY

Integrated Logistics Solutions

- Why
  - Improve logistics support and reduce total ownership cost
- Goals
  - Faster delivery to the end-us
  - High-level of quality
  - Reduced total cost of owners
  - Reduced inventory levels

DEFENSE LOGISTICS AGENCY

Integrated Logistics Solutions

- Focus on Customer Requirements
  - Material and Support Service Options
    - → Material
      - Point of Use Sale - Contractor Fills Bins
      - Wholesale Supply System
    - → Services…Inventory Management, Forecasting, Vendor Network, Technical Expertise

- Focus on Total Logistics Cost
  - Unit price--is not the only consideration
  - Value Added Services
  - Business Case Analysis

- Focus on Readiness
  - AWP, Flow days, cannibalizations, inventory levels, transaction costs

DEFENSE LOGISTICS AGENCY

Prime Vendor Definition

- Prime Vendor (PV) -- An Integrated Supply Chain Management Service From Supplier to Customer With the Intent of Reducing Overall Program Costs and Improving Logistical Support
  - Virtual PV (VPV) -- Weapon System Specific (Vertical Chain Management)
  - Industrial PV (IPV) -- Base Level Consumable Item Management (Horizontal Chain Management)

DEFENSE LOGISTICS AGENCY

Industrial Prime Vendor

- IPV is a site-specific integrated logistics support tool
  - Lower Dollar Value, High Turnover, Benchstock-type Items
  - Vendor Managed Inventory, On-site Staff
  - “Push” System - Anticipates Customer Needs
  - Eliminates MILSTRIP Requisitions
  - On-demand Availability-Evolve to 100%
  - Horizontal Integration Across Multiple Weapon Systems

- Sites
  - NADEP NI
  - NADEP Cherry Point
  - MCB Camp Pendleton/LeJeune
  - Okinawa (9 bases)
  - Albany/Barstow

DEFENSE LOGISTICS AGENCY

Virtual Prime Vendor

- VPV is a weapon system-specific logistics support tool
- Establishes contracts with private sector logistics specialists for state-of-the-art integrated supply chain management
- Includes Limited-source, High Dollar Value, Low Turn items
- Worldwide Service
  - Supports Operational, Intermediate, & Depot Levels
  - Leverage Gained From Worldwide Demand
  - Total Weapon System Focus Impacts Readiness
- Ordering Process
  - No Change
  - Legacy System Link
- Inventory
  - Reduces existing DoD Inventory

DEFENSE LOGISTICS AGENCY

VPV Key Points

- Worldwide Support - Provides maximum buying power leverage; vendor amortizes startup costs over a larger business base.
- Delivery Performance - Improved support; expedited processing; surge and sustainment.
- Quality - Guaranteed customer satisfaction; ISO certification.
- Vendor Service - Offers customized support services such as: forecasting and liaison support.
- Cost Reduction - Reduce maintenance downtime; reduce inventory costs; lower overall program cost

DEFENSE LOGISTICS AGENCY

Current Initiatives
C-130 HUB & BLADE

- Scope: Supports Worldwide Customers
- Number of NSNs: 1,539
- Annual Sales: $19.3 M (FY99)
- Contract Length: One Base Year With 4 Option Years
- Current Status: Contract is Currently in the 3rd Option Year

DEFENSE LOGISTICS AGENCY

Current Initiatives
F-14/EA-6B/J-52

- Scope: Supports Worldwide Customers
- Number of NSNs: 31,914
- Projected Sales: $1.5 B over 10 yea
- Contract Length: 2 or 3 Year Base
  Options For 10 Year Total Phase-In
- Current Status: Alpha Discussions Are
  Underway With Current Focus on
  Finalizing SOW

DEFENSE LOGISTICS AGENCY

Current Initiatives
Auxiliary Power Units

- Scope: Supports Worldwide Custome
- Number of NSNs: 566
- Projected Sales: $85 M over 9 years
- Contract Length: 3 Base Years, 3 Option Years, 3 Potential Earned Years
- Current Status: Solicitation Has Closed And Source Selection Process is Underway

DEFENSE LOGISTICS AGENCY

Current Initiatives
Fuel Controls

- Scope: Supports Worldwide Custom
- Number of NSNs: 1,204
- Projected Sales: $32 M over 9 years
- Contract Length: 3 Base Years, 3 Option Years, 3 Potential Earned Years
- Current Status: Solicitation Closed 18 April. Source Selection Process is Underway

DEFENSE LOGISTICS AGENCY

Current Initiatives
C-5 Galaxy

- Scope: Supports Worldwide Customer
- Number of NSNs: 11,189
- Projected Sales: $921 M over 10 years
- Contract Length: 2 Year Base Period
  With 8 One Year Options Phase-In Plan
- Current Status: Solicitation Closed 11 May, Source Selection Process is Underway.

DEFENSE LOGISTICS AGENCY

Potential VPV Platforms

- KC-135
- C-141/C-130
- H-60
- F-16
- Pratt & Whitney Engines
- T-58 & T-64 Engines

DEFENSE LOGISTICS AGENCY

Target Selection

- Annual Industry/Academia RFI
- Annual Global WSDC Summary (Initial Prioritization)
- Customer/Industry Day (Specific Weapon System)
  - Industry
  - WSSMs
  - SPO/PMs
  - ICPs
- Business Case Analysis (BCA)

DEFENSE LOGISTICS AGENCY

Business Case Analysis

- Assess the “best fit” of the particular VPV concept to DLA’s overall corporate strategy
- Present the various alternatives that may exist for the targeted weapon system platform
- Optimize resources to achieve corporate goals
- Basis for making VPV decision
- Baseline for measuring success
- Tool for VPV project to project comparison

DEFENSE LOGISTICS AGENCY

Information Technology

- Interface with SAMMS and DAAS
- Electronic Data Interchange Transactions
  - 850 - Delivery Order
  - 997 - Functional Acknowledgement
  - 856 - Shipment Notice
- Internet Web Site
  - Order Status
  - Link to contractor inventory

DEFENSE LOGISTICS AGENCY

Acquisition Strategy

- DSCR VPV Web Site
  - www.dscr.dla.mil/proc/
  - Post draft Documents
  - Encourage Input from Industry
- Synopsize Requirement in CBD and Notify SB
- Issue Request for Proposal (RFP)
  - Indefinite Delivery/Indefinite Quantity
  - Incentive
  - Fixed Price Material
  - Fixed Price Services -- % of material price
  - Performance Requirements
  - Long Contract Periods

DEFENSE LOGISTICS AGENCY

Pricing Issues

- Contractor to Price Cost Drivers
  - Pricing analysis of cost driver data based on historical prices adjusted for inflation and anticipated demand
  - Realization factor determined
- DLA Sets Price for Non Cost Drivers
  - Based on negotiated cost driver prices
  - Adjusted for realization factor
- Price analysis of Services to ensure fair and reasonable

DEFENSE LOGISTICS AGENCY

Best Value Award

- Evaluation Factors
  - Technical
  - Management
  - Past Performance
  - Price
  - Mentoring Business Agreements
  - JWOD
  - Socioeconomic
- Source Selection Decision
  - Conformance to Requirements
  - Commitment to Customer
  - Provided Timely Delivery & Quality Items
  - Assessment of Additional Value

DEFENSE LOGISTICS AGENCY

Sustaining Small Business Opportunities

- Evaluation Preferences
  - Proposed subcontracting with small, small disadvantaged and small women-owned businesses
  - Demonstrated ability to utilize small business subcontractors and suppliers in performing prior contracts
  - Proposed methods for obtaining competition for supplies
- Contractor provided list of DLA's suppliers
- Contractor earns Incentive Points for meeting or exceeding Subcontracting Goals

DEFENSE LOGISTICS AGENCY

DLA Vision

Right Item, Right Time, Right Place, Right Price. Every Time…Best Value Solutions for America's Warfighters

ONE TEAM…ONE FOCUS

AROUND THE CLOCK, AROUND THE WORLD